

**State Board of Equalization**  
**OPERATIONS MEMO**  
For Public Release

No. : 1159  
Date : January 21, 2009

**SUBJECT: Installment Payment Agreements and the Auto Pay Program**

**I. PURPOSE**

This operations memorandum provides policies and procedures regarding Installment Payment Agreements (IPAs). The information contained in this memo pertains to all IPAs, including streamlined installment payment agreements. The existing policies and procedures related to IPAs were revised primarily to accommodate the implementation of Auto Pay. Auto Pay is an electronic payment program whereby the Board of Equalization (BOE) electronically debits the bank account of a tax or feepayer (taxpayer) for payments required by an IPA.

While this operations memorandum provides guidance regarding all IPAs, it primarily focuses on changes in policy and procedures related to the Auto Pay program. Unless specifically mentioned, all existing BOE policies and procedures related to IPAs remain in effect and must continue to be followed.

**II. BACKGROUND**

Liabilities incurred by a taxpayer generally arise as the result of returns filed without payment in full or as a result of an audit of a taxpayer's business. In some cases, a taxpayer is unable to remit payment in full and will, therefore, request that the BOE accept installment payments until the liability is paid in full. Various Revenue and Taxation Code sections provide that the BOE may, at its discretion, enter into an IPA with a taxpayer.

An IPA requires a taxpayer to make periodic payments until the liability is satisfied. To prevent the agreement from being terminated and collection action taken, taxpayers are required to fulfill the terms of their IPA, including making all payments as required and remaining current with their returns and payments. Details regarding the terms of an IPA are recorded in the BOE's Automated Compliance Management System (ACMS).

Based on the experience of other taxing agencies, a taxpayer is less likely to default on an IPA when payments required by the agreement are automatically debited from their bank account. Automated, electronic payments also provide a convenience to taxpayers and allow the BOE to process IPA payments more quickly and efficiently.

**III. AUTO PAY**

**A. Participation**

An IPA can be established in ACMS for accounts having unpaid, final liabilities. Auto Pay can be used as the payment method for all IPAs established in ACMS. For IPAs requiring only one or two payments to be made, a taxpayer's participation in Auto Pay is optional. If an IPA requires three or more payments, participation in Auto Pay is

mandatory or optional based on the Department or Division responsible for collection of the liability as shown in the table below.

**Table 1: Auto Pay Participation Requirements**

Responsible Department or Division	Number of Payments Required by IPA	
	1 or 2	3 or more
Sales and Use Tax Department	Optional	Mandatory
Fuel Taxes Division	Optional	Mandatory
Excise Taxes Division	Optional	Optional
Environmental Fees Division	Optional	Optional

1. Sales and Use Taxes Department (SUTD) / Fuel Taxes Division (FTD)

A taxpayer that enters into an IPA requiring three or more payments is required to participate in Auto Pay. Only in very limited situations, specified below, should a taxpayer be allowed to forgo participating in Auto Pay:

- The taxpayer does not have a checking or savings account.
- The taxpayer's financial institution is unable to process Automated Clearing House (ACH) payment transactions.
- More than one IPA exists for the account (e.g., partnership accounts) and an active Auto Pay IPA has already been established in ACMS.

In instances where staff determines that a taxpayer is unable to participate in Auto Pay, staff inputting the IPA in ACMS must clearly identify the reason(s) Auto Pay is not required. As part of the review/approval process for the IPA, the supervisor must review the comments to confirm that the reason for waiving participation in Auto Pay is acceptable. If the reason is not acceptable, the supervisor should not approve the IPA. When this occurs, the taxpayer should be contacted and required to participate in Auto Pay.

Taxpayers with IPAs in existence prior to Auto Pay becoming available may elect to participate in Auto Pay at any time. However, such taxpayers are not required to participate in Auto Pay until such time as a review of the taxpayer's financial condition is required or the taxpayer's account is routed in ACMS for an annual review. (Note: Although streamlined installment payment agreements do not require periodic financial reviews, they are routed for review annually in ACMS.)

At the time of the financial or annual review, the taxpayer must be informed that participation in Auto Pay will be a requirement for continuation of their IPA. Prior to the taxpayer participating in Auto Pay, an *Auto Pay Authorization* (form BOE-407-CA) must be completed and submitted by the taxpayer. However, if the payment amount or schedule for the taxpayer's IPA changes, a new *Installment Payment Agreement* (form BOE-407) will need to be provided to the taxpayer in lieu of the BOE-407-CA. Forms BOE-407 and BOE-407-CA are available in ACMS. Once the completed form is received, the existing (Manual) IPA will need to be cancelled and a new IPA

established in ACMS. See section III.B. for more information regarding the Auto Pay authorization form and its processing.

Note: Auto Pay should not be used when any Legal status (e.g., bankruptcy, probate) exists on an account in IRIS. Instead, such IPAs should be established using the Manual payment method.

2. Excise Taxes Division / Environmental Fees Division

A taxpayer that enters into an IPA which requires three or more payments may elect to participate in Auto Pay. Collectors should encourage such taxpayers to participate in Auto Pay for the ease and convenience of making payments to the BOE.

Taxpayers with IPAs in existence prior to Auto Pay becoming available may elect to participate in Auto Pay at any time. Prior to the taxpayer participating in Auto Pay, an *Auto Pay Authorization* (form BOE-407-CA) must be completed and submitted by the taxpayer. However, if the payment amount or schedule for the taxpayer's IPA changes, a new *Installment Payment Agreement* (form BOE-407) will need to be provided to the taxpayer in lieu of the BOE-407-CA. Forms BOE-407 and BOE-407-CA are available in ACMS. Once the completed form is received, the existing (Manual) IPA will need to be cancelled and a new IPA established in ACMS. See section III.B. for more information regarding the Auto Pay authorization form and its processing.

Note: Auto Pay should not be used when any Legal status (e.g., bankruptcy, probate) exists on an account in IRIS. Instead, such IPAs should be established using the Manual payment method.

B. Authorization Forms

1. General

A taxpayer must complete and sign an Auto Pay Authorization form (authorization form) to participate in Auto Pay. An authorization form is incorporated into the BOE's IPA forms, BOE-407 and BOE-407-S. A stand-alone authorization form (form BOE-407-CA) is also available. Form BOE-407-FAQ must accompany forms BOE-407, 407-S and 407-CA as it provides taxpayers with information regarding Auto Pay, including information for completing the authorization form. The Auto Pay authorization forms are available through ACMS.

An authorization form must be signed before it can be processed. Completed authorization forms submitted by fax to the BOE are acceptable.

a. Form BOE-407, *Installment Payment Agreement*

This is the standard IPA form that is prepared by collection staff and provided to a taxpayer. This form documents the details regarding the IPA such as the specific liabilities included in the agreement and the payment schedule. Staff should take care to ensure the details

regarding the IPA are accurately captured on this form. Additionally, when determining the due date of the first IPA payment, staff should allow enough time for the taxpayer to receive, complete and return the authorization form and for the form to be processed by the BOE. All of these actions must be completed no later than two business days prior to the due date of the first IPA payment.

b. Form BOE-407-S, *Application for Streamlined Installment Payment Agreement Invitation*

This is a multiple page form which includes a letter to the taxpayer informing them they may qualify to pay their liability by proposing and entering into a SIPA. In general, a SIPA allows taxpayers to pay their liability in equal monthly installments within one to three years depending on the source of the liability and whether the taxpayer's account is active or closed-out. A taxpayer proposes the payment schedule for the SIPA at the top of this form and returns the form to the BOE for review and approval.

c. Form BOE-407-CA, *Auto Pay Authorization*

This form is intended for use by taxpayers with existing IPAs that wish to participate in Auto Pay. This form is also used in situations where a taxpayer that is currently enrolled in Auto Pay wishes to change the bank account from which payments are debited.

2. Bank Account Information

a. General

The authorization form requires the taxpayer to provide information regarding their bank account necessary for the BOE to initiate ACH debit payment transactions. The bank account information required includes the type of bank account (checking or savings), the bank name/address, bank account number and bank routing number.

b. Documentation

Since a taxpayer may be unfamiliar with their bank account number and, in particular, their bank's routing number, it is strongly recommended taxpayers provide a voided check or bank specification sheet with their authorization form. These documents can be used by staff to confirm the accuracy of the banking information provided on the authorization form. A taxpayer can obtain a bank specification sheet from their financial institution. This document provides the bank account number and bank routing number and is generally submitted if a taxpayer chooses to use a savings account for Auto Pay.

To ensure the bank routing number provided is correct, taxpayers should be encouraged to contact their financial institution and verify the routing number their financial institution uses for ACH payment transactions. In some instances, a financial institution may use a

unique routing number for ACH transactions that is different from the routing number printed on a taxpayer's checks.

c. Preliminary Verification

Prior to inputting the IPA in ACMS, the banking information provided on the authorization form must be compared to the numbers contained on the accompanying voided check or bank specification sheet (if provided). The comparison is intended to help identify any errors the taxpayer may have made when completing the authorization form.

If a simple error is found, for example, the taxpayer transposed numbers on the authorization form, staff should use the correct banking information, as identified on the voided check or bank specification sheet, to input the IPA in ACMS. A comment must be entered in ACMS providing details regarding the correction made to the bank information contained on the bank authorization form.

In instances where the banking information provided on the authorization form differs significantly from that contained on the voided check or bank specification sheet, the taxpayer must be contacted to determine the correct bank account information that should be used. Afterwards, staff must make a comment in ACMS detailing the contact with the taxpayer and identifying the correct bank information that should be used for Auto Pay.

If a taxpayer fails to provide a voided check or bank specification sheet, staff should contact the taxpayer and attempt to obtain one of these documents as soon as possible so the IPA can be input in ACMS. If for some reason the taxpayer does not provide such documentation, staff may proceed with inputting the IPA in ACMS using the bank information provided on the authorization form.

The Take Promise to Pay screen in ACMS will verify the bank routing number input. The verification involves matching the routing number input to one that has been previously identified as valid for ACH transactions. If ACMS is unable to verify the validity of a routing number, staff should first confirm the bank routing number was input correctly in ACMS. If the number was input correctly, but still cannot be validated by ACMS, the staff must contact the taxpayer to verify that the routing number provided is valid for ACH transactions.

d. General Guidelines for Bank Account Information

The following information may assist in identifying any potential issues with the bank information provided by a taxpayer. This information may help identify situations where we will be unable to proceed with inputting the IPA in ACMS without corrected banking information.

- Bank routing numbers are always nine digits and are comprised of only numbers.
- Bank account numbers may be up to a maximum of 17 characters. Although a bank account number is usually comprised of numbers only, they can contain letters, spaces, and dashes.
- Bank deposit slips cannot be used to confirm banking information since the information provided on a bank deposit slip may differ from the taxpayer's bank account information.
- Taxpayers may erroneously include the check number as part of their bank account number or bank routing number when completing the authorization form. The check number should not be included in either of these numbers.

e. ACH Debit Block/Filter

In some instances, a taxpayer's bank account may have a block or filter on it that prevents unauthorized ACH transactions. Such taxpayers must authorize their financial institution to accept the BOE's ACH debit transactions. This is accomplished by the taxpayer providing their financial institution with the BOE's Company Identification Number:

- For Sales and Use Tax accounts: 1282531033
- For Property and Special Taxes accounts: 1282435088

3. Processing

The collector responsible for the account will input the IPA in ACMS, including the bank information necessary for Auto Pay. Prior to doing so, the collector must resolve any questions or concerns they may have with regard to the banking information provided by the taxpayer. The collector must be diligent in verifying banking information and correctly inputting the information in ACMS. Details regarding the IPA, including the taxpayer's bank account information, are input on the Take Promise to Pay screen in ACMS.

After the IPA has been input in ACMS and approved by a supervisor (if necessary) an *IPA – Notice of Confirmation, Auto Pay* (form BOE-407-CN), may be provided to the taxpayer. This letter is available in ACMS and is used to inform the taxpayer that the authorization form has been processed and provides the date and amount of the first payment that will be debited from the taxpayer's bank account.

4. Retention

A photocopy of the authorization form and accompanying documentation (i.e., voided check or bank specification sheet) should be retained in the district office's files. The photocopies may assist staff in resolving any questions, concerns or issues that may arise with regard to Auto Pay payments. The copies should generally be retained for at least 60 days but must be destroyed

(confidential destruction) once the authorization has expired (see section III.B.5.).

The original authorization form and accompanying documentation must be forwarded to the appropriate central file location depending upon the type of account. For sales and use tax accounts, the documents should be forwarded to the Taxpayer Records Unit (MIC 36) or the Consumer Use Tax Section (MIC 37) for consumer use tax accounts. Consumer use tax accounts are those established for use tax on vehicles, vessels, aircraft and items hand-carried through U.S. Customs (Taxable Activity Type codes SA, SB, SP and SI). For accounts handled by the Property and Special Taxes Department, the documents should be forwarded to the appropriate central file location for the particular tax or fee program.

5. Expiration

An Auto Pay authorization form is not valid indefinitely and will expire when one of the following occurs:

- a. The liabilities included in the IPA are paid in full.
- b. The terms (e.g., payment amount, payment date, payment frequency) of the IPA change.
- c. The IPA is terminated (i.e., the termination date has passed).
- d. The taxpayer submits a new authorization form (form BOE-407-CA) to change the bank account from which payments are debited. (The new authorization form supersedes the taxpayer's prior authorization form.)
- e. The taxpayer informs the BOE they wish to cancel their participation in Auto Pay. If the taxpayer's participation in Auto Pay was mandatory, the taxpayer must be informed that cancelling Auto Pay will result in the BOE terminating the IPA (see section IV.L.). Once the IPA is terminated, the liability becomes due and payable in full.

Once an authorization has expired, the copies of the authorization form (and accompanying documentation) retained by the district should be destroyed (confidential destruction). The taxpayer must complete and submit a new authorization form to re-enroll in Auto Pay.

C. Auto Pay Payments

1. Process

Auto Pay payments are obtained via ACH Debit and require a multi-step process which takes several days from beginning to end. Consequently, the Auto Pay process actually begins two business days prior to the due date of a payment. This allows the BOE to generally debit a taxpayer's bank account on the actual due date of an IPA payment. If the due date falls on a weekend or bank holiday, the payment will be debited from the taxpayer's bank account on the first banking day following the due date. (Note: A taxpayer's bank account can only be debited on a banking day. Banking days exclude weekends and bank holidays.)

A file is automatically created in ACMS two business days prior to the due date of an installment payment. The file contains the payment information (e.g., payment amount, due date, bank account information) related to the payments due. The ACMS file is sent to IRIS and is used to create the payments in IRIS. The payments are posted to the account in IRIS prior to the funds actually being received from a taxpayer's bank account. As with e-file and ACH Debit payments, Auto Pay payments are identified in IRIS with the Remittance Type code, "ELF" and will be displayed on the existing payment screens in IRIS. To differentiate Auto Pay payments from other ACH Debit payments, an "I" (for "IPA") will be displayed to the right of the value in the "EFT Ref Nbr" field on the PAY RE screen in IRIS. Auto Pay payments are also identified on the PAY EA screen with an "I" in the "EFT" column.

The Auto Pay payments will be identified to the liabilities included in the IPA and will initially have the "WST" (Waiting Settlement) Held Reason code. Generally, on the due date of a payment, the "WST" Held Reason code will automatically be removed and the payment will apply to the liabilities included in the IPA. Auto Pay payments will use the BOE's existing payment application rules but will apply only to those liabilities included in the IPA. The Payment Effective Date assigned to the Auto Pay payments is the same as the actual due date of the payment.

In rare instances when an Auto Pay payment received exceeds the balance of the liabilities included in the IPA, the excess payment will generally be applied automatically to any other billed, unpaid liabilities that exist on the account. If no other billed liabilities exist, the overpayment will remain unapplied and will be assigned the "QUS" (Questionable Situation) Held Reason code. As with other unapplied payments, unapplied Auto Pay payments will be identified on a report that will be periodically reviewed by BOE Headquarters' staff. Return Analysis Unit (RAU) staff is responsible for reviewing the report for unapplied sales and use tax payments. Each special taxes division is responsible for reviewing the report for unapplied payments on their accounts.

## 2. Rejected Payments

As with other ACH Debit payments, an Auto Pay payment may not be received for several reasons such as insufficient funds or the bank account being invalid or closed. In instances where a taxpayer's bank information is valid but where funds were not available in the bank account on the date the debit was attempted, a second attempt will automatically be made to debit the taxpayer's bank account. Generally, the second attempt will occur two to three days after the first attempt.

An Auto Pay payment that is not received is considered to have been "rejected." A payment that is rejected due to insufficient funds will be identified as rejected after the *second* unsuccessful attempt to debit the taxpayer's bank account. Information regarding the rejected payment, including the specific reject reason, is captured in IRIS and ACMS. The



collector assigned to an account, as identified in ACMS, is responsible for resolving all issues pertaining to rejected payments. To bring the issue to the attention of the collector, the account will route to the "Broken Promise" worklist in ACMS and information regarding the rejected payment will be provided in ACMS history. This information will assist staff in determining the appropriate action to take. For example, if a payment was rejected due to insufficient funds, the appropriate action may involve terminating the IPA. However, if the payment was rejected because the bank account number was invalid, the collector should confirm the bank account number input in ACMS matches the account number contained on the taxpayer's authorization form. If the bank account number was input correctly, the taxpayer should be contacted to resolve the problem.

In addition to rejected Auto Pay payments being identified in IRIS and ACMS, a report containing information for all rejected payments will automatically be produced. The report will be produced for statistical purposes and will assist management in identifying any potential issues with Auto Pay payments. The report will be distributed in hardcopy to the Sales and Use Tax Department, Fuel Taxes Division, Excise Taxes Division and Environmental Fees Division.

3. Moving Payments

BOE staff with IRIS security level necessary to move payments in IRIS will have the ability to move Auto Pay payments. However, Auto Pay payments should generally not be moved from one liability to another. If a payment is moved to a liability that was not included in the IPA, this could result in the BOE debiting a taxpayer's bank account for an amount in excess of the sum total of the liabilities included in the IPA.

4. Unscheduled Payments

An unscheduled payment (e.g., FTB offset payment) is not considered an IPA payment and will not cause the due date of the next scheduled Auto Pay payment to change.

5. Reports

Auto Pay payments will be included on Cash Day and Batch Reports generated from IRIS. Additionally, Auto Pay payments will be reflected on accounting reports generated from IRIS, specifically, the Daily RSTF Cash Receipts Summary Report (FAC 100) and the Daily Accounting Cash Receipts/Fund Transfer Summary Report (FAC 151). Auto Pay payments will not be included in certain IRIS payment reports, specifically, the EFT Discrepancy Report (PAY 530), the EFT NR/PR Over \$15,000 Report (PAY 530), and the EFT Discrepancy Report (PAY EI).

6. Payment Errors

When initially establishing an IPA, staff should take all reasonable precautions to avoid potential Auto Pay errors. For example, staff should contact the taxpayer to resolve any apparent issues (e.g., illegible numbers) with the bank account information provided on the authorization form. Staff

must also use care when inputting the IPA in ACMS to ensure all information, including bank account information and payment terms, are input correctly.

Regardless of the precautions taken by staff, the possibility exists that an error may occur with an Auto Pay payment. Such errors may include:

- Debiting the incorrect bank account in error. For example, the bank account number is input incorrectly in ACMS or the taxpayer provided an incorrect bank account number.
- Debiting a taxpayer's bank account for the incorrect amount. For example, at the time the IPA was originally input in ACMS, the payment amount was incorrectly input as \$1,000 instead of \$100. This error resulted in the taxpayer's bank account being debited for the incorrect amount.
- Continuing to debit a taxpayer's bank account after the taxpayer submitted a written request to cancel their participation in the Auto Pay program. (See section IV.L. for information regarding taxpayer cancellation requests.)

The BOE will most commonly be made aware of a payment error when a taxpayer, or other person, contacts the BOE and informs us of the problem. The assigned collector, as identified in ACMS, is responsible for taking prompt action to confirm and resolve the error. (If the assigned collector is unavailable on the date inquiry is received, the collector's designated back-up, supervisor, or other designee, must provide assistance in resolving the error.) Specifically, the collector must:

- a. *Confirm the error occurred.* This is generally accomplished by reviewing the installment payment information input in ACMS, comparing it to the information provided on the taxpayer's authorization form, and reviewing payment information in IRIS. As part of this review process, the collector should make screen prints of any pertinent ACMS and/or IRIS screens that support the fact an error has occurred. Upon confirming the error, the collector must input comments on the remittance in IRIS (PAY RE) documenting the pertinent information regarding the error.
- b. *Take action to correct the payment error.* Depending upon the circumstances of the error, the erroneous payment transaction can either be reversed or refunded. Table 2 identifies the recommended action for resolving a payment error based on type of error that occurred and the number of banking days that have passed since the person's bank account was debited. (The date on which the taxpayer's bank account was debited is generally the same as the "EFT Settlement Date" for the payment as identified on the PAY RE screen.)

**Table 2: Recommended Resolution by Error Type**

<b>Error Type</b>	<b># of Banking Days Since Debit Occurred</b>	
	<b>6 Days or Less</b>	<b>7 Days or More</b>
Incorrect Bank Account	Payment Reversal	Payment Reversal*
Incorrect Payment Amount	Payment Reversal	Refund Check
Debit After Cancellation	Payment Reversal	Refund Check

*\* A Refund Check can be issued if a Payment Reversal is not possible.*

***i. Payment Reversal – 6 Days or Less***

A payment reversal is similar to stop payment for a check and must, therefore, be initiated by the taxpayer. To initiate a reversal, the taxpayer must contact their financial institution and request the transaction be reversed. To assist the taxpayer in making such a request, the taxpayer should mention to their financial institution the appropriate return reason code for the reversal. Return reason code R29 (“corporate customer advises not authorized”) should be used for bank accounts held by a corporation. Code R10 (“customer advises not authorized”) should be used for bank accounts held by all other entities other than corporations.

***ii. Payment Reversal – 7 Days or More***

Reversal of a payment transaction after six banking days requires the BOE to authorize its financial institution to allow the reversal. BOE authorization must occur prior to the person contacting their financial institution and requesting a reversal of the payment. To authorize the reversal, the collector must provide the following information in an email (subject line: “Auto Pay Reversal Authorization”) to their supervisor (or their supervisor’s designee):

- Taxpayer’s name and the BOE account number to which the payment was applied.
- The name on the bank account that was debited in error.
- The name, title and phone number of the person requesting the reversal.
- Copy of PAY RE screen showing the remittance to be reversed.
- Copy of IRIS comments pertaining to the error the collector added to the remittance.

The supervisor is responsible for reviewing the request and confirming an error has occurred requiring reversal. Additionally, the supervisor should confirm the email contains all information necessary for RAU staff or the designated Property and Special Taxes Department (PSTD) representative to authorize the reversal. The supervisor should input a comment in IRIS (PAY RE) stating that the request has been reviewed and approved. Requests related to SUTD accounts should be marked as high importance and forwarded to the RAU email group, “SUTD-

Auto Pay Reversal Refund Group” while those related to PSTD accounts should be forwarded to the designated PSTD representative.

RAU staff or the PSTD representative is responsible for contacting the BOE’s financial institution and informing them the reversal of the erroneous payment is authorized. Afterwards, RAU or the PSTD representative will inform the collector that authorization has been initiated. The collector is then responsible for contacting the person and instructing him or her to contact their financial institution to request the payment reversal. The person should be advised that the BOE has authorized the reversal and should be instructed to contact their financial institution to initiate the payment reversal. The person should advise their financial institution to use return reason code R31 (“permissible return”) for the reversal.

### ***iii. Refund Check***

The BOE will issue a refund check for erroneous Auto Pay payments in instances where:

- The taxpayer’s financial institution refuses to reverse the payment; or
- The taxpayer prefers the BOE issue a refund of the erroneous payment in lieu of a reversal of the transaction.

The BOE cannot issue a refund check unless seven or more banking days has passed since the taxpayer’s bank account was debited. This is necessary to confirm the debit payment is valid and not rejected. In instances where the incorrect bank account is debited (i.e., not our taxpayer), a payment reversal should be used to correct the error if at all possible.

Prior to initiating a refund request, the collector should first confirm the mailing address identified on the taxpayer’s BOE account (TAR AI or SPR AI) is accurate as this is the address to which the refund check will be mailed. If the taxpayer wants the refund check mailed to an address different than the mailing address of record, the taxpayer must provide a signed, written request identifying the mailing address for the refund check. (A signed request is also required when issuing a refund to a person that does not hold a BOE account.)

To initiate the refund request, the collector must provide the following information in an email (subject line: “Auto Pay Refund Authorization”) to their supervisor (or their supervisor’s designee):

- Taxpayer’s name and the BOE account number to which the payment was applied.
- The name on the bank account that was debited in error.

- The name, title and phone number of the person requesting the refund.
- The mailing address to which the refund check should be mailed. (If different than the mailing address on the taxpayer's BOE account or if a refund check is being issued to a person that does not hold a BOE account.)
- Copy of PAY RE screen showing the remittance to be reversed.
- Copy of IRIS comments pertaining to the error the collector added to the remittance.

The supervisor is responsible for reviewing the request and confirming an error has occurred which requires a refund. Additionally, the supervisor should confirm the email contains all information necessary for RAU or the designated PSTD representative to initiate a refund of the erroneous payment. The supervisor should input a comment in IRIS (PAY RE) stating that the request has been reviewed and approved. Requests related to SUTD accounts should be marked as high importance and forwarded to the RAU email group, "SUTD-Auto Pay Reversal Refund Group" while those related to PSTD accounts should be forwarded to the designated PSTD representative. If applicable, the signed, written request regarding the mailing address for the refund check must be faxed to RAU or provided to the PSTD representative.

RAU staff or the PSTD representative is responsible for taking actions necessary to initiate the refund. Processing of the refund should be expedited by all sections and units involved in the process so that the taxpayer receives the payment as quickly as possible.

- c. *Correct the cause of the error.* If the error occurred due to incorrect information being provided on the authorization form, a corrected authorization form (form BOE-407-CA) should be obtained from the taxpayer. The correction must also be made on the Modify Promise to Pay screen in ACMS. An error with the bank routing number or bank account number can be corrected by updating the existing (active) promise. Errors involving the payment amount and frequency will require the existing promise to be cancelled and a new (corrected) promise input.
- d. *Request waiver of bank fees (if any).* In some instances, a payment error may cause the taxpayer to incur bank fees. For example, a taxpayer may be assessed fees for items returned due to insufficient funds. When this occurs, the collector is responsible for providing the taxpayer's financial institution with a letter requesting any bank fees associated with the erroneous debit payment be waived. The request should be addressed to the taxpayer's financial institution and should include pertinent information regarding the erroneous payment (e.g.,

settlement date, payment amount). The request should either be faxed or mailed to the financial institution and a copy of the letter provided to the taxpayer.

**D. Notice of Change to Banking Information**

Banks routinely notify the BOE of changes in a taxpayer's banking information. Changes in banking information can occur, for example, as a result of bank mergers or acquisitions. A bank notifies the BOE of a change in banking information for a specific taxpayer in response to the BOE debiting a taxpayer's bank account. The BOE must take action on these items to avoid future Auto Pay payments for the taxpayer being rejected.

As a result of receiving updated banking information, a "BOE ACH Debit Notification of Change" report ("Notice of Change" report) is automatically generated and emailed to the "BOE-Auto Pay Bank Changes" email group. The email group is comprised of specific staff in RAU and the PSTD. The report contains notice of change information for Auto Pay payments only. Items included on the report are grouped by TAT and listed in account number order. A report will only be produced on days where there is at least one change to report.

RAU and PSTD staff receiving the "BOE ACH Debit Notification of Change" report must review the report the day it is received and take the following actions:

1. For each item included on the report, access the account in ACMS and determine the names of the responsible collector and the collector's supervisor.
2. Email all information contained in the report for the specific Auto Pay payment to the responsible collector. The subject of the email should state "Auto Pay - Bank Information Change," the email should be sent high priority, and the collector's supervisor should be copied on the email.

Assuming the status of the IPA is Active, the responsible collector must update the bank information used for Auto Pay using the information provided in the email from RAU or PSTD. Bank information for an IPA is updated using the Modify Promise to Pay screen in ACMS.

After modifying the banking information, the collector must input comments in ACMS stating the banking information has been changed. A taxpayer is not required to complete a new authorization form since electronic banking guidelines ("NACHA") allow the BOE to update banking information using information provided by a taxpayer's bank.

**IV. IPAs**

The IPA functionality in ACMS was enhanced to accommodate the Auto Pay program and to provide additional flexibility in establishing and maintaining IPAs. This section provides information regarding these enhancements.

**A. Payment Methods and Frequencies**

For taxpayers entering into an IPA, the BOE offers two types of payment methods, "Manual" and "Auto Pay." Manual payments are paper payments (e.g., check, cash)

remitted by a taxpayer. For taxpayers remitting manual payments, ACMS automatically mails payment reminder notices to the taxpayer several days prior to the due date of each IPA payment.

Auto Pay payments are payments obtained by the BOE electronically by debiting a taxpayer's designated bank account. For taxpayers using Auto Pay, ACMS will not automatically mail payment reminder notices to the taxpayer. A taxpayer may be required to participate in Auto Pay as a prerequisite for entering into an IPA with the BOE (see section III.A.).

Several payment frequencies (e.g., single, two-part, monthly, weekly, bi-weekly) are available to allow flexibility in selecting payment due dates for an IPA. With the implementation of the Auto Pay program a new frequency, "twice-monthly," is now available. The twice-monthly frequency would be used, for example, if a taxpayer wishes to remit two payments on the same dates each month (e.g., 5<sup>th</sup> and 20<sup>th</sup> of each month).

B. Initial IPA Payment

Previously, when an IPA was input in ACMS, an initial payment (or "good faith payment") could be entered. In some instances, the initial payment would be for an amount greater or less than the amount of the recurring payments required by a taxpayer's IPA.

As part of the revision of the IPA functionality in ACMS, an initial payment amount will no longer be input. Regardless, a taxpayer may still be required to remit an initial payment. This may be accomplished by requiring the taxpayer to remit the initial payment manually (e.g., check payment) when returning the signed IPA form (form BOE-407 or BOE-407-S).

C. Liabilities Included in IPA

When an IPA is initially input in ACMS, all unpaid, final liabilities will be displayed on the Take Promise to Pay screen. By default, these liabilities will be selected for inclusion in the IPA with the exception of those that are identified in IRIS as having been discharged from bankruptcy ("DFB" Difference Status code). For IPAs using the Manual payment method, no modifications can be made to the liabilities included in the IPA. For IPAs using Auto Pay, ACMS will allow the liabilities and amounts included in the IPA to be modified, when necessary, using the following functionality:

- **Liability Selection** – Specific liabilities (or portions of a liability, for example, interest and/or penalty) can be excluded from an IPA. A liability would be excluded from an IPA, for example, if it will be subject to future adjustment (e.g., penalty waiver).
- **Exclude Amount (Penalty)** – A portion of a penalty amount may be excluded from an IPA. This feature would be used if only a *portion* of the penalty for a specific liability is excluded from an IPA.
- **Maximum Amount** – Allows the Auto Pay payments for an IPA requiring three or more payments to be made to cease automatically once a specific total amount of Auto Pay payments has been received. If a Maximum Amount is

entered, the tax, interest and penalty amounts for each of the selected liabilities must be included in the IPA.

Liabilities that are included in an active IPA will be identified on the taxpayer's account in IRIS with the Difference Status code, "PRM." The PRM status code will automatically be removed from the liabilities when the status of an IPA is no longer Active (e.g., Completed, Terminated). See section IV.E. for information regarding IPA statuses.

#### D. Review Date

A review date can be input in the Promise to Pay screen in ACMS for any IPA requiring three or more payments to be made. A review date would be input, for example, to schedule a date to contact the taxpayer for a review of their financial condition. A review date can be set for up to one year in the future. When the review date is reached, the account will route to the Promise Review worklist in ACMS. While in the Promise Review worklist, the status of the IPA will remain Active (see section IV.E.) and payment reminder notices will continue to be mailed to the taxpayer or Auto Pay payments will continue to be initiated. Regardless of whether or not a review date is input, all accounts with IPAs will continue to route to the Promise Review worklist in ACMS every 365 days.

#### E. Statuses

IPA statuses have been developed to identify the current disposition of an IPA. The status of an IPA will be displayed in ACMS on the Promise to Pay screens. Only one status will apply to an IPA at a given time; however, several statuses will apply to an IPA during its lifetime. Each IPA status in ACMS is listed and described below.

- **Pending** – The IPA has been input in ACMS but has not been approved. While an IPA is in Pending status, payment reminder notices will not be mailed nor will the BOE initiate Auto Pay payments. All details (e.g., payment method, payment amount, payment dates) regarding an IPA can be modified when it is in Pending status.
- **Active** – The IPA is currently active. Only when an IPA is in Active status will payment reminder notices be mailed to a taxpayer or Auto Pay payments initiated. An account with an active IPA will also be identified in IRIS by the "PRM" (promise) Difference Status code. This status not only indicates an IPA exists on an account but identifies the specific liabilities included in the IPA. For IPAs using Auto Pay, the Bank Information fields (e.g., ABA#, bank account number) on the Promise to Pay screen can be modified when an IPA is in Active status.
- **Completed** – All liabilities included in the IPA have been paid in full or the amount required to be paid by the taxpayer (i.e., the "Maximum Amount") has been received.
- **Terminated** – The IPA has been terminated. The status of an IPA changes to Terminated after BOE staff has initiated the termination process, form BOE-407-T, *IPA – Notice of Termination*, has been sent to the taxpayer, and the 15-day period has passed. Note: During the 15-day period, the status of



an IPA will remain Active. While Active, payment reminder notices will continue to be mailed and Auto Pay payments will continue to be initiated.

- **Cancelled** – The IPA has been cancelled by BOE staff. An IPA would be cancelled, for example, if through a periodic review of a taxpayer's financial condition BOE staff determines the amount of the installment payments should be modified. An active IPA would need to be cancelled in ACMS prior to a new IPA (with the new payment amount) being input.
- **Taxpayer Cancelled** – The IPA has been cancelled at the request of the taxpayer. This status would apply, for example, if a taxpayer that is enrolled in Auto Pay requested the BOE no longer debit their bank account for IPA payments.
- **Legal Cancelled** – The IPA has been cancelled as a result of a bankruptcy filed by the taxpayer or other legal proceeding. The status of an IPA will automatically change to Legal Cancelled when a bankruptcy is input in IRIS. For all non-bankruptcy related legal types in IRIS, the IPA will not be cancelled automatically. Staff with supervisor security capability in ACMS have the ability to change the status of an IPA to Legal Cancelled.

F. Approving IPAs in ACMS

All Auto Pay IPAs require supervisor approval in ACMS prior to becoming Active. Manual IPAs requiring three or more payments also require approval. Prior to approval, the status of the IPA will remain Pending. As discussed previously (see section IV.E.), when an IPA is in Pending status, payment reminder notices will not be mailed nor will the BOE initiate Auto Pay payments. Consequently, timely review and approval of pending IPAs is imperative.

Pending IPAs are routed to two different worklists depending on the payment method used for the IPA. Auto Pay IPAs are routed to the "Sup Appr – Auto Pay" while Manual IPAs are routed to the "Supervisor Review" worklist. Review and approval of an Auto Pay IPA must be a priority since the authorization form completed by a taxpayer provides a specific date on which the BOE will begin debiting the taxpayer's bank account. All attempts should be made to review and approve pending Auto Pay IPAs no later than two business days prior to the due date of the first Auto Pay payment. ACMS will allow a Manual IPA to be approved at any time regardless if the due date of the first payment has passed.

In instances where an Auto Pay IPA is not approved within this time period, the payment dates identified on the Promise to Pay screen will need to be modified prior to approval. Generally, this will involve retaining the previously agreed to payment schedule and merely advancing the due date of the first payment to the next regularly scheduled due date. Assuming the only modification to the payment schedule was with regard to the date of the first Auto Pay payment, the taxpayer will not be required to complete a new authorization form. The taxpayer should, however, be informed of the new date on which Auto Pay payments will begin. Additionally, the taxpayer should be requested to remit the payment (e.g., check payment) the BOE was unable to obtain via Auto Pay.

Review and approval of IPAs in ACMS is accomplished using the Supervisor Review screen. From this screen, the Review Promise to Pay screen can be displayed and all details regarding the IPA can be viewed prior to approval. When performing a review of an IPA, three options are available for selection:

- **Approve** – The IPA is approved and its status changes to Active.
- **Deny** – The IPA is not approved. All information regarding the pending IPA is deleted.
- **Send Back** – The IPA is not approved, but is returned to the collector for additional work. All IPA information is retained and the status of the IPA remains Pending.

G. Broken Promise Workstate in ACMS

An account will automatically route to the Broken Promise workstate in ACMS when it appears a taxpayer has defaulted on their agreement. For example, an account will route to Broken Promise when a Manual IPA payment is not received, an Auto Pay IPA payment is rejected (see section III.C.2.), additional liabilities are billed on the taxpayer's account in IRIS, or the taxpayer is delinquent in filing tax returns or prepayments.

Previously, when an account routed to Broken Promise, the IPA was essentially "cancelled" by ACMS and would have to be re-input in instances where the IPA needed to be reestablished. Since IPA statuses are now utilized in ACMS (see section IV.E.), this is no longer the case. The status of an IPA will remain Active when it routes to the Broken Promise workstate. Staff must review the account to determine the appropriate action to take. So long as the IPA is in Active status, payment reminder notices will continue to be mailed to the taxpayer or Auto Pay payments will continue to be initiated by the BOE.

H. Modifying an IPA

An IPA is modified using the Modify Promise to Pay screen in ACMS. An IPA can only be modified while it is in Pending or Active status. While in Pending status, all details regarding the IPA can be modified.

When an IPA is in Active status, only the banking information fields can be modified (for IPAs using Auto Pay). If any other information needs to be modified on an active IPA, the IPA must be terminated or cancelled and a new IPA taken. If banking information is updated, staff may create and send form BOE-407-CC, *IPA - Notice of Confirmation, Auto Pay Modification* to the taxpayer informing them the bank information used for Auto Pay has been updated. This letter is available in ACMS and would be sent, for example, if a taxpayer requested the BOE use a different bank account for Auto Pay by submitting a new authorization form (form BOE-407-CA).

In addition to modifying an IPA, the following actions can be taken on an Auto Pay or Manual IPA in Active status:

- Skipping an IPA payment.
- Initiating the termination of the IPA.
- Reinstating the IPA after the termination process has begun.

- Cancelling the IPA.

I. Skipping an IPA Payment

To allow additional flexibility, ACMS now has the capability of allowing taxpayers to skip an IPA payment upon request. The skip payment process is available for IPAs in Active status and is initiated from the Modify Promise to Pay screen in ACMS. The skip payment process is not available for single payment or two-part IPAs nor is it available if an IPA is scheduled to be terminated.

The collector responsible for the account has the discretion to determine whether or not a taxpayer should be allowed to skip a payment based on the taxpayer's circumstances, such as the reason for the request and the length of time the taxpayer has been making payments under their current IPA. Supervisor approval is not required in ACMS to skip a payment. ACMS will only allow a payment to be skipped once every 365 calendar days, up to a maximum of two times during the entire length of the IPA.

For an Auto Pay IPA, the skip payment must be initiated at least two business days prior to the due date of the next payment. Otherwise the *subsequent* payment will be skipped instead. For Manual IPAs, a skip payment can be initiated up to, and including, the due date of the payment. Where appropriate, form BOE-407-SP, *IPA – Notice of Skipped Payment*, should be generated via ACMS and provided to the taxpayer. The letter confirms the taxpayer's request to skip a payment has been processed and identifies the specific payment that will be skipped.

J. Terminating an IPA

An IPA can be terminated by BOE staff in instances where a taxpayer either defaults on the IPA or otherwise fails to comply with the terms of the agreement. The termination process is initiated from the Modify Promise to Pay screen in ACMS and is only available for IPAs in Active status. As required by law, the taxpayer must be informed in writing 15 days prior to their IPA being terminated. When termination of an IPA is initiated in ACMS, form BOE-407-T, *IPA-Notice of Termination*, will automatically be displayed in ACMS so that it can be printed and provided to the taxpayer.

After termination of an IPA is initiated in ACMS, the IPA will remain in Active status through the end of the 15-day period. Payment reminder notices will continue to be mailed to the taxpayer and Auto Pay payments will continue to be initiated by the BOE until the 15-day termination date has passed.

Note: Termination of an IPA in Pending status can only be accomplished by having a supervisor deny approval of the IPA. Regardless, if an IPA form (i.e., form BOE-407 or BOE-407-S) was previously provided to the taxpayer, a BOE-407-T should generally be provided to the taxpayer and the 15-day period must elapse prior to commencing with collection action.

K. Reinstating an IPA

An IPA for which the termination process had begun may be reinstated prior to ACMS changing the status of the IPA to Terminated. Reinstatement of an IPA is initiated using the Modify Promise to Pay screen in ACMS. Once an IPA is reinstated, the termination

process is cancelled and the status of the IPA will remain Active. An IPA can be reinstated up to a maximum of three times during its lifetime.

After an IPA has been reinstated, form BOE-407-R, *IPA- Notice of Reinstatement*, must be provided to the taxpayer. This letter is available in ACMS and documents the fact that the IPA is not being terminated and informs the taxpayer that IPA payments will continue to be due.

Although an IPA may be reinstated if new liabilities or delinquencies exist on the account, only the liabilities that were originally included in the IPA when it was originally approved will be included in the reinstated IPA. To include new liabilities in the IPA that were not included on the original IPA form (i.e., form BOE-407 or BOE-407-S), the existing IPA will need to be cancelled, a new IPA form provided to the taxpayer, and the new IPA input in ACMS.

#### L. Cancelling an IPA

An IPA in Active status can be cancelled using the Modify Promise to Pay screen in ACMS. Three different cancellation status types exist, Cancelled, Taxpayer Cancelled, and Legal Cancelled, each of which is described in section IV.E. Cancellation of an IPA in Pending status can only be accomplished by having a supervisor deny approval of the IPA.

A taxpayer enrolled in Auto Pay can request at anytime that the BOE no longer debit their bank account. Taxpayers can request cancellation either verbally or in writing. Taxpayers submitting a cancellation request in writing are advised on the IPA form (i.e., form BOE-407 or BOE-407-S) that their request should be received by the BOE at least five business days prior to the due date of a payment. This allows BOE staff time to process the request prior to the next scheduled payment. Regardless of the manner in which a cancellation request is received, the request must be processed immediately to avoid the taxpayer's bank account from being erroneously debited. Note: The Taxpayer Cancelled status should be used when a taxpayer requests cancellation of the IPA.

After processing a taxpayer's cancellation request, confirmation that the request has been processed must be provided to the taxpayer. If enrollment in Auto Pay was mandatory, form BOE-407-C, *IPA-Notice of Auto Pay Cancellation and Termination*, must be sent to the taxpayer informing the taxpayer their enrollment in Auto Pay has been cancelled and the IPA terminated. The form includes the 15-day notification required by law. Form BOE-407-C1, *Notice of Auto Pay Cancellation*, should be sent in instances where a taxpayer's enrollment in Auto Pay was optional. Forms BOE-407 and BOE-407-C1 are available through ACMS.

#### M. IPA History

Historical IPA information retained in ACMS has been enhanced. A history of the prior IPAs that existed on the account will be available using the Promise History feature in ACMS. For each IPA, a list of actions that occurred during the IPA's lifetime will also be available for display.

The Promise History screen will display the most recent information for an IPA since only one history record is retained for each IPA. In some cases, this information will

differ from how the IPA first appeared when it was initially input in ACMS. For example, if at some point the bank information for an IPA was modified, the history screen would display the most recent bank information for the IPA instead of the original bank information that existed when the IPA was initially input.

Note: Only approved IPAs in existence (active) at the time the Auto Pay program was implemented are displayed in the Promise History screen. These IPAs are identified on the screen as "Promise Data Converted."

## **V. OBSOLESCENCE**

This operations memorandum will become obsolete when the information contained herein is incorporated in the appropriate manuals or is obsolete.

Randie L. Henry  
Deputy Director  
Sales and Use Tax Department

David J. Gau  
Deputy Director  
Property and Special Taxes Department

Distribution: 1-D